

Message Text

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ACTION OPIC-06

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DEPARTMENT PASS OPIC

E.O. 11652: N/A
TAGS: EINV, CM
SUBJECT: WESTERN CORN PROJECT POST-MORTEM

REF: (A) YAOUNDE 1038 (B) YAOUNDE 952

1. BEGIN SUMMARY: FINAL A&B NEGOTIATIONS WITH SNI TO WRAP UP ITS INVOLVEMENT IN FOUMBAN CORN PROJECT WERE INCONCLUSIVE. INABILITY OF A&B AND SNI TO SUCCESSFULLY FORM COMPANY WAS DUE TO FUNDAMENTAL DISAGREEMENT OVER ROLES OF PARTNERS AND PURPOSES OF INITIAL THREE YEAR PROJECT. IT IS LIKELY THAT COLLAPSE OF CORN PROJECT WILL GIVE RISE TO CRITICISM OF U.S. INVESTORS. EMBASSY HOPES TO HAVE GURC OR CHAMBER OF COMMERCE ORGANIZE INVESTMENT MISSION TO U.S. END SUMMARY. ACTION REQUESTED: APPRECIATE RECEIVING DEPT AND OPIC COMMENTS AND/OR SUGGESTIONS IN THIS REGARD.

2. IN WAKE OF FINAL COLLAPSE OF FOUMBAN CORN PROJECT ON FEB 28, A&B VP GLENN ROGERS MET WITH SNI OFFICIALS ON MARCH 1 TO ATTEMPT TO DISPOSE OF REMAINS. IT WAS APPARENT FROM ROGERS ACCOUNT OF MEETINGS THAT THE ATMOSPHERE WAS FROSTY AND THAT SNI OFFICIALS WERE NOT DISPOSED AT THAT TIME TO ENGAGE IN FURTHER NEGOTIATIONS WITH A&B. IT IS, THEREFORE, NOT YET CLEAR WHETHER PROJECT WILL BE TERMINATED, ALTHOUGH WE THINK IT LIKELY THAT IT WILL BE PASSED ON TO ANOTHER COMPANY (POSSIBLY REDPATH OF CANADA), NOR IS IT CLEAR
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WHEN SNI WILL REPAY DEBTS OWED TO A&B (ABOUT \$70,000). FOR THE MOMENT, A&B HAS DIRECTED ITS EXPERTS TO RETURN TO FOUMBAN AND OVER NEXT TWO MONTHS TO PLANT FIRST CROP OF CORN ON ALREADY CLEARED LAND. POSSIBILITY EXISTS THAT SNI WILL TERMINATE EXPERTS' ACTIVITIES IN BOUMBAN LONG BEFORE PASSAGE OF TWO MONTHS. WE HAVE IDENTIFIED TWO FIRST RATE CAMEROONIAN MAISE BREEDERS WITH US PHD'S TO MIN ECONOMY AND PLAN. BOTH CAPABLE PROVIDING ADEQUATE ADVISORY SERVICES ON

PROJECT. EMBASSY WILL FOLLOW AND REPORT DEVELOPMENTS.

3. EMBASSY BELIEVES COLLAPSE OF NEGOTIATIONS WAS DUE TO FUNDAMENTAL DISAGREEMENT OVER ROLES OF PARTNERS AND OVER ULTIMATE PURPOSE OF INITIAL THREE YEAR PROJECT. (SEE REFTEL A) FROM THE START, A&B ARGUED THAT IT COULD NOT EFFECTIVELY MANAGE PROJECT FROM ITS HEADQUARTERS IN HONOLULU AND THAT ITS LOCAL PARTNER, SNI, SHOULD BE ACTIVE IN MANAGEMENT. THUS A&B INSISTED THAT SNI SHOULD BE RESPONSIBLE FOR INSURING THAT PROJECT AND COMPANY WOULD BE IN COMPLIANCE WITH ALL LOCAL LAWS AND REGULATIONS, AND FOR EXPEDITING LOGISTICS. SNI POSITION ON THE OTHER HAND WAS THAT IT IS AN AGENCY OF THE GURC, AND IS PRIMARILY A VENTURE CAPITAL COMPANY. SNI HAS INVESTMENTS IN OVER 100 COMPANIES, AND IT DID NOT BELIEVE IT COULD BECOME OVERLY INVOLVED IN THE AFFAIRS OF ANY ONE. THEREFORE SNI PREFERRED TO TAKE A PASSIVE ROLE WITH REGARD TO MANAGEMENT, AND IT WAS EXTREMELY RELUCTANT, AND ULTIMATELY REFUSED, TO GUARANTEE THAT IT WOULD EFFECTIVELY FULFILL DEMANDS OF A&B. DISAGREEMENT OVER ROLE OF PARTNERS SURFACED AS A PERSONALITY CONFLICT BETWEEN EXPATRIATE EMPLOYEE HIRED BY A&B AND CAMEROONIAN EMPLOYEE APPOINTED BY SNI. FACT THAT DISAGREEMENT EMERGED IN THIS MANNER ONLY TENDED TO FURTHER COMPLICATE ISSUE AND TO SOUR THE GENERAL ATMOSPHERE.

4. IN ADDITION, EMBASSY BELIEVES THAT THERE WAS A LESS CLEARLY DEFINED BUT NEVERTHELESS BASIC DISAGREEMENT OVER THE PURPOSES OF THE INITIAL THREE YEAR PROJECT. A&B CONSIDERED IT TO BE A FEASIBILITY STUDY, THE PURPOSE OF WHICH WAS TO GATHER YIELD DATA IN LIMITED OFFICIAL USE

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ORDER TO DETERMINE WHETHER TO LAUNCH A FULL SCALE CORN PROJECT IN FOUMBAN. SNI, ON THE OTHER HAND, CONSIDERED IT TO BE STEP ONE OF FULL SCALE PROJECT AND BELIEVED THAT PRIMARY PURPOSE OF FEASIBILITY STUDY WAS TO DETERMINE BEST METHOD OF IMPLEMENTATION. IT THEREFORE SOON BECAME CLEAR TO A&B THAT SNI CONSIDERED FORMATION OF COMPANY TO BE AT LEAST A PARTIAL AND VERY TANGIBLE COMMITMENT TO THE FULL SCALE PROJECT. WITH THIS IN MIND, AND IN VIEW OF DISAGREEMENT OVER MANAGEMENT ROLES, A&B PREFERRED TO NOT GO FORWARD WITH THE FORMATION OF THE COMPANY.

5. GURC GAVE VERY HIGH PRIORITY TO FOUMBAN CORN PROJECT, PARTIALLY BECAUSE IT MEANT LARGE INVESTMENT AND INCREASED EMPLOYMENT OPPORTUNITIES IN A PROVINCE WHERE SNI HAD TO DATE NOT UNDERTAKEN ANY PROJECTS BUT, ALSO BECAUSE IT WOULD HAVE BEEN AMERICAN INVESTMENT. BASIC GURC POLICY IS TO DIVERSIFY ECONOMY AWAY FROM FRANCE, AND IT WAS HOPED THAT CORN PROJECT WOULD LEAD TO A GROWING DIRECT INVOLVEMENT OF THE AMERICAN BUSINESS COMMUNITY IN CAMEROON. DUE TO THE DOLE PINEAPPLE FIASCO OF 1973 AND FAILURE MBANDJOCK RICE PROJECT IN 1976, CAMEROONIANS HAVE OFTEN TENDED

TO QUESTION WILLINGNESS OF AMERICAN INVESTORS TO FOLLOW THROUGH. THIS CRITICISM HAS BEEN MUTED IN RECENT PAST DUE TO POTENTIAL FOUMBAN CORN PROJECT, HOWEVER, IT IS LIKELY THAT IT WILL BEGIN ONCE

AGAIN. AT PRESENT, ONLY PROSPECTIVE LARGE AMERICAN INVESTOR ON THE HORIZON IS, STRANGELY ENOUGH, DOLE, A SUBSIDIARY OF CASTLE AND COOKE, WHICH IS ONCE AGAIN CONSIDERING CAMEROON, THIS TIME FOR INVESTMENT IN BANANAS. HOWEVER, DOLE HAS ONLY BEGUN TO CONDUCT SOIL SURVEY AND INVESTMENT, IF ANY, WILL PROBABLY NOT TAKE PLACE FOR SOMETIME.

6. EMBASSY HAS STATED REPEATEDLY THAT IT CONSIDERS CAMEROON TO HAVE ONE OF THE MOST ATTRACTIVE INVESTMENT CLIMATES IN AFRICA, AND WE BELIEVE THIS STILL TO BE TRUE. WELL CONCEIVED INVESTMENTS HERE HAVE EXCELLENT POTENTIAL FOR HANDSOME RETURNS TO BOTH SIDES. NEVERTHELESS, WE BELIEVE THAT AT LEAST IN IMMEDIATE AFTERMATH OF A&B WITHDRAWAL, IT WILL BE MUCH MORE DIFFICULT FOR US INVESTORS TO FIND RECEPTIVE AUDIENCE HERE. THEREFORE, EMBASSY HOPES TO LIMITED OFFICIAL USE

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ENCOURAGE CURC OR CHAMBER OF COMMERCE TO ORGANIZE DURING 1978 A CAMEROONIAN INVESTMENT MISSION TO THE U.S. PURPOSE OF MISSION WOULD BE COMPOSED OF PRIVATE CAMEROONIAN BUSINESSMEN AND WELL-PLACED GURC OFFICIALS CAPABLE OF MAKING COHERENT PRESENTATION OF POSSIBILITIES

HERE. IF IT TAKES PLACE IT IS HOPED THAT DEPARTMENT AND OPIC COULD ASSIST MISSION IN MAKING CONTACTS WITH APPROPRIATE MEMBERS OF U.S.BUSINESS COMMUNITY.

7. WOULD APPRECIATE RECEIVING DEPT AND OPIC COMMENTS WITH REGARD PROPOSAL MADE PARA 6 OR OTHER SUGGESTIONS AS TO HOW TO BEST PROCEED TO ENCOURAGE U.S. INVESTMENT CAMEROON. SMYTHE

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